Statement of Chairwoman Sue Kelly
House Committee on Financial Services
Subcommittee on Oversight and Investigations
Over-regulation of Automobile Insurance: A Lack of Consumer Choice

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This afternoon we are holding a hearing on the effects of state over-regulation of auto insurance on consumer choice. State insurance commissioners bear a responsibility to promote a competitive climate in which consumers can choose from a number of stable and solvent companies at competitive prices. When that climate is not maintained, there are going to be warning signs.

Unfortunately, the alarm bells are sounding in New Jersey and Massachusetts. It is apparent from the exodus of companies from New Jersey and the refusal of many insurance companies to do business in Massachusetts that the regulatory climate for auto insurance in those states has turned oppressive. In New Jersey, over one-half of the 15 largest auto insurers in the country have either already left or will leave in the near future. Over one million people in New Jersey will lose their automobile insurance, with a dwindling supply of alternative companies willing to do business in the state.

Massachusetts might be in worse shape, with two-thirds of those same 15 largest insurers either writing little or no business or refusing to do business at all in the state. Why are the people of Massachusetts denied the right to do business with the insurer of their choice? Why do they continue to tolerate a system that has driven two-thirds of the largest, most competitive providers out of the state?

Meanwhile, in free market states such as Illinois and South Carolina, there are numerous auto insurance companies providing consumers with real choices at competitive prices without subsidizing risky drivers with bad records. For instance, in South Carolina, the number of insurers accessible to consumers has doubled since the state eliminated artificial price controls. It is that contrast that we will examine today.

I would note that the New York Insurance Superintendent has been watching the events in these states carefully, especially across the border in New Jersey, and drawn the right conclusion. If there is a problem with high auto insurance rates, the answer is more competition and sound fraud enforcement, not just more regulation. That's why New York is pursuing a package of real reform to catch and prevent insurance fraud, bar drivers who won't pay their insurance from recovering damages, and allow more choices and incentives for lower-cost repairs. That sounds like reform that will bring real results for New York's drivers. I have a recent op-ed written by the New York Insurance Superintendent, Greg Serio, that I believe sets out a strong case for the reforms they are working on in New York. I'm going to ask unanimous consent to have made part of the record – hearing no objection so ordered.

Before us today we are honored to have a distinguished panel of auto insurance experts to share their thoughts and observations with us on these issues. I thank you all for taking the time out of your busy schedules to help us understand how the regulation in these states is affecting consumers and look forward to discussing these issues with you.